

Message Text

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21

ACTION NEA-10

INFO OCT-01 ISO-00 SP-02 AID-05 EB-04 NSC-05 RSC-01

CIEP-01 TRSE-00 SS-15 STR-01 OMB-01 CEA-01 CIAE-00

COME-00 FRB-01 INR-05 NSAE-00 XMB-02 OPIC-03 LAB-01

SIL-01 DODE-00 PM-03 H-01 L-02 PA-01 PRS-01 USIA-06

SAB-01 SAM-01 NIC-01 /077 W
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P 131017Z NOV 74

FM AMEMBASSY TEL AVIV

TO SECSTATE WASHC PRIORITY 4565

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E O 11652: N/A

TAGS: EFIN, ECON, IS

SUBJECT: KNESSET APPROVES EMERGENCY ECONOMIC PROGRAM

REF: A. TEL AVIV 6424

B. TEL AVIV 6495

C. TEL AVIV 6518

1. NOV 12, KNESSET APPROVED 59 TO 41 EMERGENCY ECONOMIC PROGRAM, AFTER GOI AND HISTADRUT AGREED TO SEEK A COMPROMISE ON INCREASED COMPENSATION FOR INCREASED FOOD COSTS. VOTE WAS ALONG COALITION AND OPPOSITION LINES, WITH ONLY ELIAV (LABOR PARTY) AND RIMALT (LIKUD) ABSTAINING. EIGHT MKS WERE OUT OF THE COUNTRY. FINMIN RABINOWITZ SAID THAT "FULL COMPENSATION" AT A RATE TO BE DECIDED UPON IN CONSULTATION WITH THE HISTADRUT WOULD BE GIVEN LOW INCOME GROUPS, LARGE FAMILIES, NEEDY ELDERLY AND WELFARE RECIPIENTS. RABINOWITZ ALSO POINTED OUT THAT IT WAS IN THE WAGE EARNER'S OWN INTEREST TO FOREGO PART OF THE COST-OF-LIVING INDEX. AS REPORTED REFTEL (A), GOI'S POSITION HAS BEEN TO EXCLUDE COL INCREASES WHICH ARE ASSOCIATED WITH EMERGENCY ECONOMIC PROGRAM IN COL ALLOWANCE

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ADJUSTMENTS DUE NEXT JANUARY AND JULY.

2. IN EXPLAINING NECESSITY OF NEW PROGRAM IN VARIOUS PUBLIC FORA, BOTH PRIMIN RABIN AND FINMIN RABINOWTIZ UNDERLINED IMPORTANCE OF PREVENTING UNEMPLOYMENT, AS WELL AS FURTHER DRAIN ON FOREIGN EXCHANGE RESERVES. THEIR SHARED CONCERN ABOUT EMPLOYMENT PLUS GOI'S INDICATING THAT IT WOULD SEEK A COMPROMISE WITH HISTADRUT ON THE COLA ISSUE, BLUNTED DISSENT WITHIN LABOR PARTY, FOR BOTH JACQUES AMIR AND HAVIV SHIMONI VOTED WITH GOVT AFTER EARLIER THREATENING TO ABSTAIN.

3. COMMENT: SINCE ANNOUNCEMENT OF EMERGENCY ECONOMIC PROGRAM, THERE HAD BEEN SOME UNCERTAINTY AS TO DEGREE OF COALITION SUPPORT FOR NEW MEASURES. KNESSET APPROVAL REPRESENTS IMPORTANT ACHIEVEMENT FOR GOI AND MEANS THAT IT CAN NOW CONCENTRATE ON SPECIFICS OF COMPROMISE WITH HISTADRUT ON COLA NEXT JANUARY AND JULY. IN OUR VIEW, GOVT WILL HAVE TO MAKE SIGNIFICANT CONCESSIONS ON COL QUESTION BEFORE COMPROMISE IS AGREED.
KEATING

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC PROGRAMS, CENTRAL LEGISLATURE
Control Number: n/a
Copy: SINGLE
Draft Date: 13 NOV 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: cunninfx
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974TELAV06536
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740326-1062
From: TEL AVIV
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19741145/aaaabmiv.tel
Line Count: 81
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION NEA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: A. TEL AVIV 6424
Review Action: RELEASED, APPROVED
Review Authority: cunninfx
Review Comment: n/a
Review Content Flags:
Review Date: 20 AUG 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <20 AUG 2002 by WorrelSW>; APPROVED <13 MAR 2003 by cunninfx>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: KNESSET APPROVES EMERGENCY ECONOMIC PROGRAM
TAGS: EFIN, ECON, IS
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005